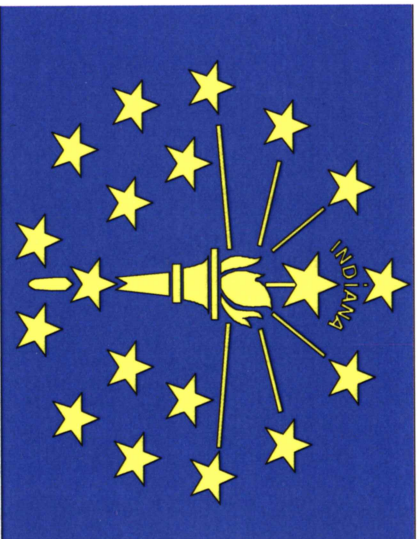


Indiana: State Debt Overview



Governor Mitchell E. Daniels

OMB Director Charles E. Schalliol

Public Finance Director Ryan C. Kitchell

January 2007

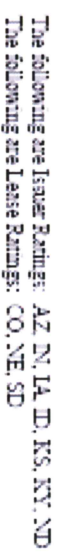


Overview

- ❑ I. State Credit Ratings
- ❑ II. Outstanding Indiana Agency Debt
 - A. State Appropriation-Backed Debt
 - B. State-Related Debt (Not backed by State Appropriations)



As of November 30, 2006



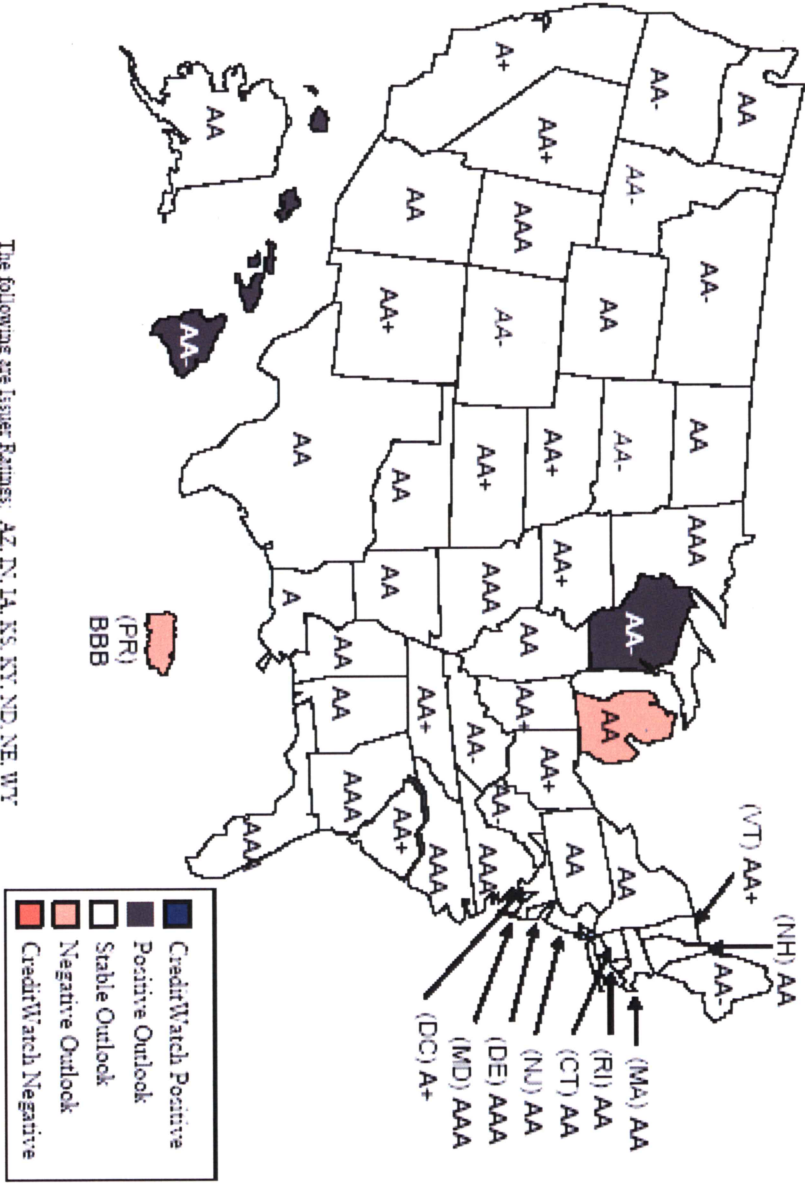
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Standard and Poor's State Credit Ratings

S&P State Ratings and Outlooks

As of November 30, 2006

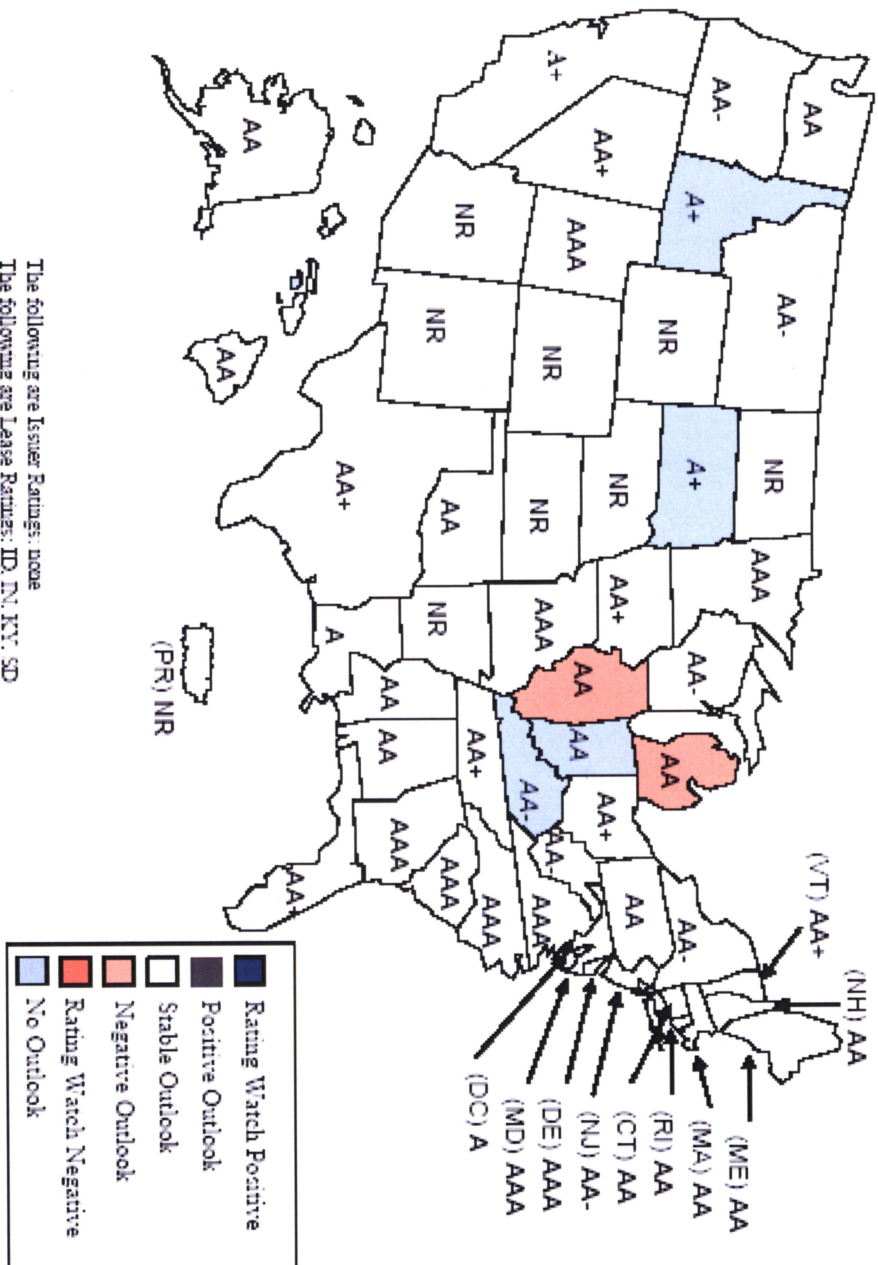


Rating history: Downgraded from AA+ to AA on 1/20/04; Outlook from Stable to Positive on 6/30/05;
Upgraded from AA to AA+ on 1/23/06



Fitch State Ratings and Outlooks

As of November 30, 2006



Ratings history: Indiana's Fitch rating has remained unchanged for the past five years



II. Outstanding Indiana Agency Debt – Overview

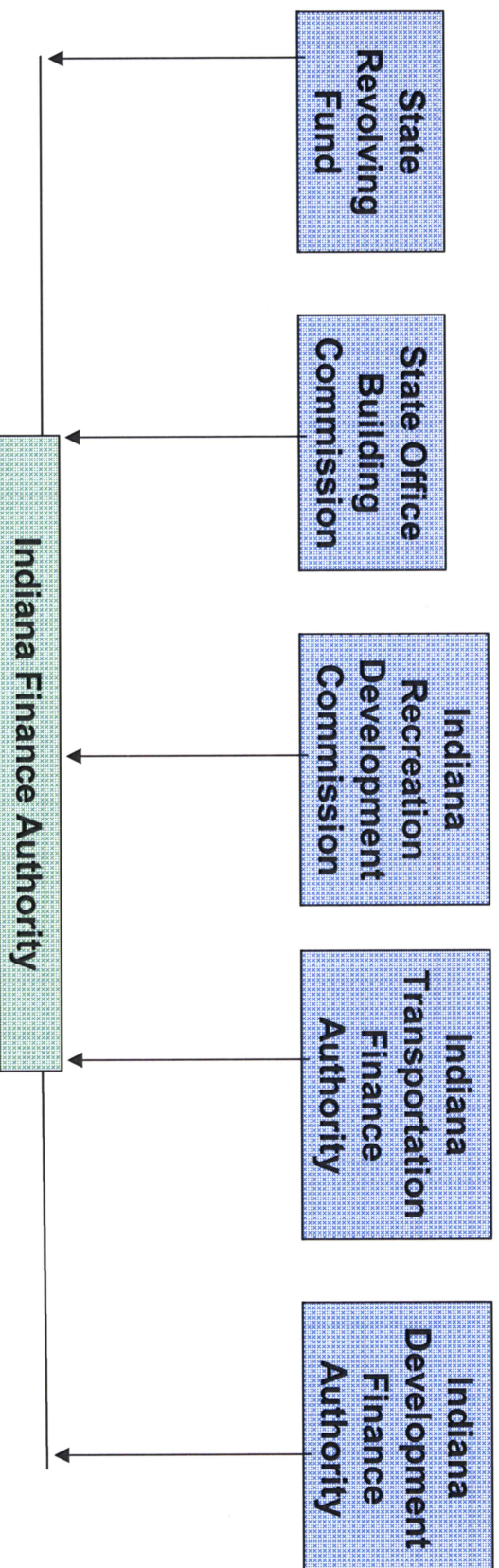
State Appropriation-Backed Debt	
Issuing Entity	Debt Outstanding
Transportation Finance Authority	\$1,534,131,795
Public University (Fee Replaced)	\$1,115,679,504
State Office Building Commission	\$909,887,257
Indiana Bond Bank (Moral Obligation)	\$485,600,000
Stadium & Convention Center	\$400,975,693
Recreational Development Commission	\$30,715,000
Development Finance Authority	\$0
Total	\$4,476,989,249

State Related Debt	
Issuing Entity	Debt Outstanding
Health & Educational Facility Authority	\$6,711,489,300
Indiana Bond Bank (Non-Moral Obligation)	\$1,746,332,369
State Revolving Fund	\$1,582,765,000
Indiana Secondary Market for Educational Loans	\$1,574,700,000
Housing & Community Development Authority	\$1,206,925,000
Public University (Non-Fee Replaced)	\$452,093,693
Port Commission	\$37,996,380
State Fair	\$18,835,000
Total	\$13,331,136,742



Indiana Finance Authority

- ❑ In the 2005 session of the Indiana General Assembly, the Indiana Finance Authority ("IFA") was created to oversee State related debt. The enabling legislation consolidated five previously separate entities into the new IFA as shown below



- ❑ The IFA issues debt on behalf of these five former issuers, and IFA has managed their debt portfolios since 2005.
- ❑ The IFA also issues debt for the Stadium and Convention Center project
- ❑ Entities outside IFA who issue debt backed by possible state appropriations include the Indiana Bond Bank (Moral Obligation Debt) and Public Universities (Fee-Replaced Debt).
- ❑ The State Public Finance Director by statute manages the IFA and also oversees three additional bond issuing entities through statutory board positions including the Indiana Bond Bank, Indiana Housing and Community Development Authority, and the Indiana Health and Education Facility Finance Authority.



IIA. State Appropriation-Backed Debt

- ❑ State Appropriation- Backed debt is approved by the General Assembly either by approval of the project or the source of funds used to finance the repayment of bonds issued.
 - Moral Obligation debt is reviewed by the Budget Committee and approved by the Budget Director.



State Appropriation- Backed Debt

Indiana Transportation Finance Authority (ITFA) Projects [now IFA]

- ITFA issued debt in partnership with the Indiana Department of Transportation to finance the cost of construction, acquisition, reconstruction, improvement, or extension of the State's public ways.
- Payment is made on Highways and Bridges bonds primarily using State-appropriated gas tax dollars, among other resources.
- The Airport Maintenance Facility was formerly the United Maintenance Facility, and it is currently leased to other users.
- The Aviation Technology Center is a training center run by Vincennes/Purdue cooperative at Indianapolis International Airport. It was built in connection with the United Maintenance Facility for long-term worker training.
- Currently the ITFA portfolio of debt is composed of:
 - 87% fixed rate debt
 - 13% variable rate debt

Project	Debt Outstanding
State Highways & Bridges	\$1,325,141,795
Airport Maintenance Facility	\$200,550,000
Aviation Technology Center	\$8,440,000
Toll Road	\$0
Total	\$1,534,131,795



State Appropriation-Backed Debt

Fee-Replacement Public University Debt

- ❑ Fee-replacement bonds are debt issued by universities, through which State- appropriations reimburse the universities for debt service.
- ❑ Fee-replacement bonds must be approved by the State Budget Committee, Budget Agency, and the Governor of the State of Indiana.

University	Debt Outstanding
Indiana University	\$426,109,386
Purdue University	\$274,768,874
Ivy Tech College	\$157,440,000
Ball State University	\$82,515,000
University of Southern Indiana	\$74,369,487
Indiana State University	\$53,921,757
Vincennes University	\$46,555,000
Total	\$1,115,679,504



State Appropriation-Backed Debt

State Office Building Commission (SOBC) Projects [now IFA]

- ❑ The State Office Building Commission (SOBC) issued debt in partnership with multiple entities to finance or refinance the cost of acquiring, constructing, or equipping buildings and improvements:
 - Department of Administration
 - Family and Social Services Administration
 - Department of Corrections
- ❑ Currently the SOBC debt portfolio is composed of:
 - 80% fixed rate debt
 - 20% variable rate debt

Project	Debt Outstanding
Capitol Complex	\$156,550,357
Miami Correctional	\$132,485,000
Wabash Valley Correctional	\$122,335,000
New Castle Correctional	\$117,860,000
Indiana State Museum	\$77,985,000
Forensic Health and Sciences Lab	\$62,900,000
Madison State Hospital	\$57,005,000
Rockville Correctional	\$39,560,000
Pendleton Correctional	\$34,500,000
Logansport State Hospital	\$33,995,000
Evansville State Hospital	\$30,745,000
Senate Av./ Washington St. Parking Facilities	\$27,505,256
Project Hoosier Safe-T (Hoosier Notes)	\$9,900,000
Central Indiana Hospital (Hoosier Notes)	\$6,561,644
Total	\$909,887,257



State Appropriation-Backed Debt Indiana Bond Bank Moral Obligation Debt

- ❑ The Indiana Bond Bank (IBB) is organized to provide assistance to local government in funding special projects through the use of bonds including:
 - Water & Sewer Systems
 - Capital Improvement/
Building Projects
- ❑ IBB's Special Program debt may form a Moral Obligation (M.O.) with the State of Indiana providing the issuing organization with more favorable financing terms.
- ❑ The State only serves as a backstop on M.O. debt if the primary repayment source fails. IBB has never had a Moral Obligation claim in its history.
- ❑ Moral Obligation debt is reviewed by the Budget Committee and approved by the Budget Director.

Project	Debt Outstanding
Hendricks County Hospital	\$55,430,000
Adams County Hospital	\$40,385,000
South Bend TIF Districts	\$35,545,000
Hancock County Memorial Hospital	\$35,010,000
Northern IN Commuter Transportation Dist.	\$28,985,000
Columbus Learning Center	\$27,515,000
East Chicago Building Facility Corp.	\$25,630,000
Fort Wayne Regional Public Safety Academy	\$20,660,000
Hendricks County Redevelopment Auth.	\$16,485,000
Good Samaritan Hospital (Knox County)	\$16,210,000
City of Carmel Sewer	\$11,160,000
City of Huntington	\$9,740,000
Town of Burns Harbor	\$7,550,000
Whiting Sanitary District	\$7,540,000
Pittsboro Wastewater Plant	\$4,025,000
Brookville Regional Sewer District	\$1,105,000
Other Pooled Issuances	\$142,625,000
IBB Special Programs (Moral Obligation)	\$485,600,000



State Appropriation-Backed Debt

Indiana Stadium & Convention Center [debt managed by IFA]

Stadium/Convention Center Construction

Financing:

- \$400 million of bonds were issued in 2005 as variable rate debt
- Interest rates on the Stadium & Convention Center have been fixed through a BMA Swap
 - ✓ The Stadium rate is locked at 4.231%
 - ✓ The Convention Center rate is locked at 4.556%
- Remaining tranches totaling approximately \$500 million are to be issued over the course of the projects
- First-line repayment source is local food & beverage, hotel, rental car and admission taxes, collections from the Professional Sports Development Area, and Colts license plate fees

Project	Debt Outstanding
Lucas Oil Stadium	\$400,000,000
Convention Center Line of Credit	\$975,693
Total	\$400,975,693



State Appropriation-Backed Debt Recreational Development Commission (RDC) Projects [now IFA]

- ❑ The Recreational Development Commission (RDC) issued debt in partnership with the Department of Natural Resources to finance or refinance the costs of the acquisition, construction, renovation, improvement or equipping of facilities for the operation of public parks.
- ❑ Payment of RDC bonds is made through fees generated by the operation of all state parks and other fees received related to park projects.
- ❑ Currently the RDC portfolio of debt is 100% fixed rate.

Project	Debt Outstanding
Prophetstown & Multi-Project Refundings	\$13,385,000
Clifty Inn/ Abe Martin Lodge	\$12,780,000
Ft. Benjamin Harrison Golf Course	\$4,550,000
Total	\$30,715,000



State Appropriation-Backed Debt

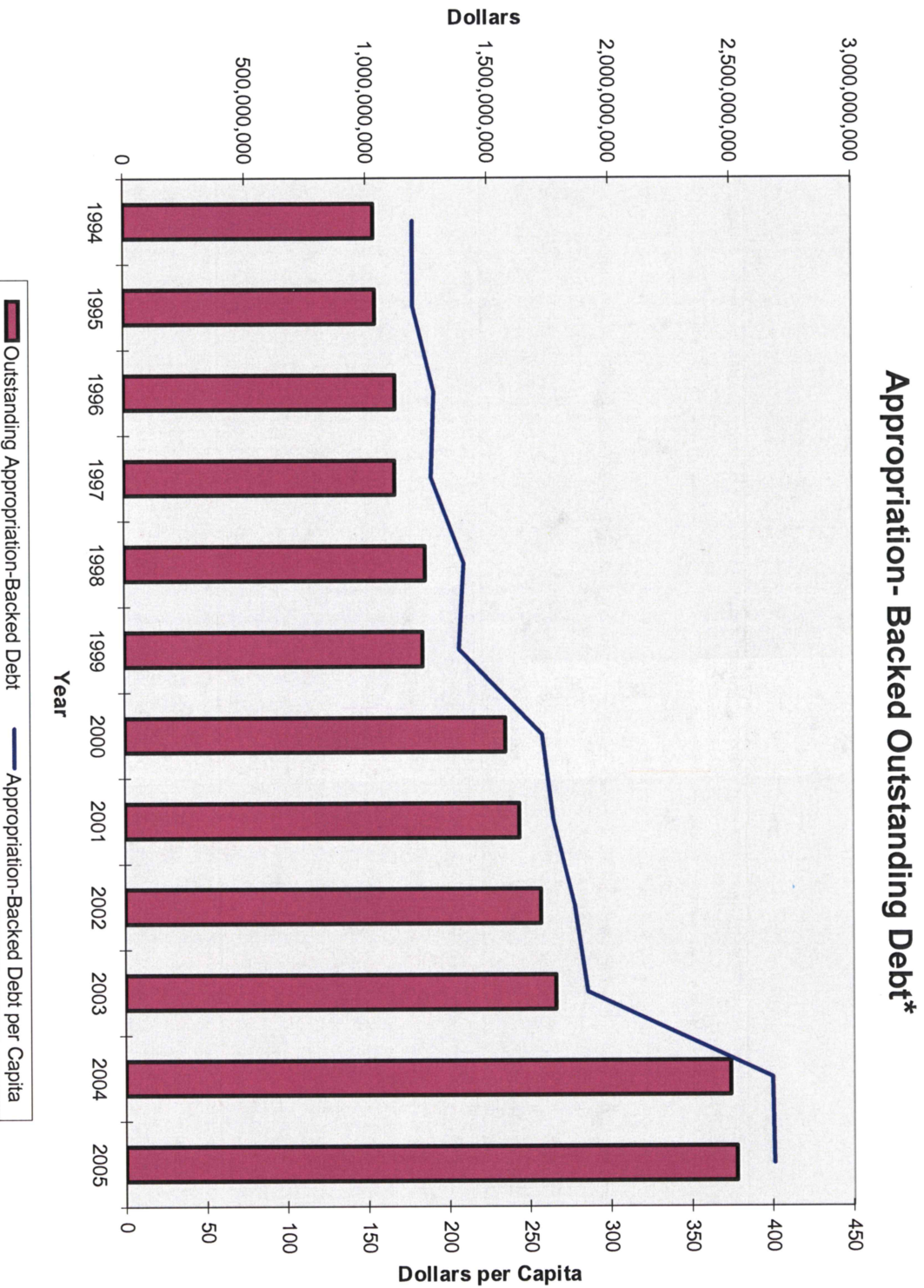
Economic Development Moral Obligation Debt [now IFA]

- ☐ Indiana had pledged the moral obligation of the State on two economic development transactions in which the company ultimately went bankrupt, resulting in a financial responsibility of \$31 million of debt.
- ☐ Both moral obligations were defeased in August 2006.

Project	Debt Outstanding
Heartland Steel	\$0
Qualitech Steel	\$0
Total	\$0



Indiana Appropriation-Backed Debt Load (1994- 2005)



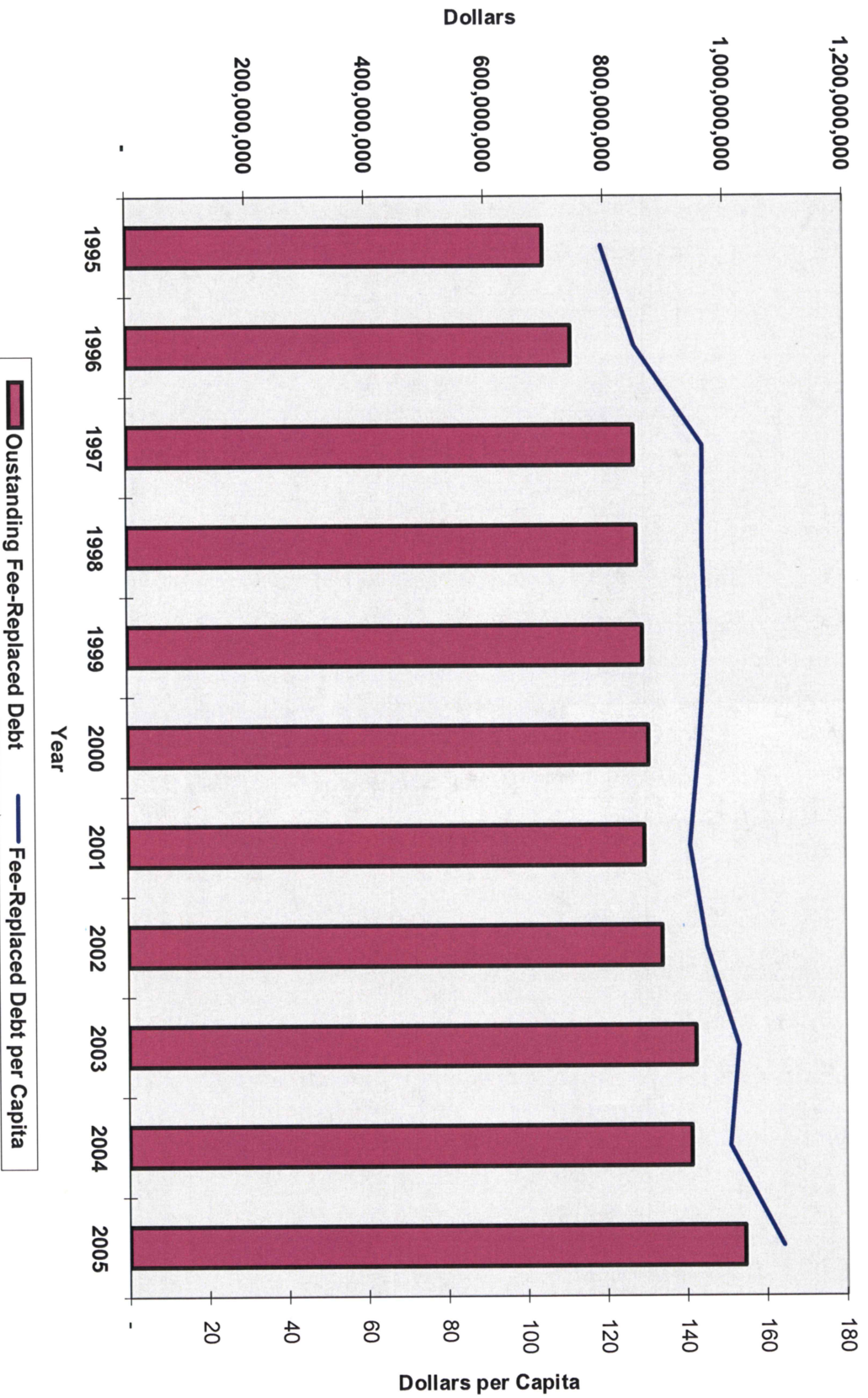
*Appropriation-Backed debt does not include Public University Fee-Replaced Debt as well as Contingent Obligations

Source: (IN Outstanding Debt Subject to Possible Appropriation) – IN Official Statement Appendix A - Moody's Medians



Public University Fee-Replaced Debt

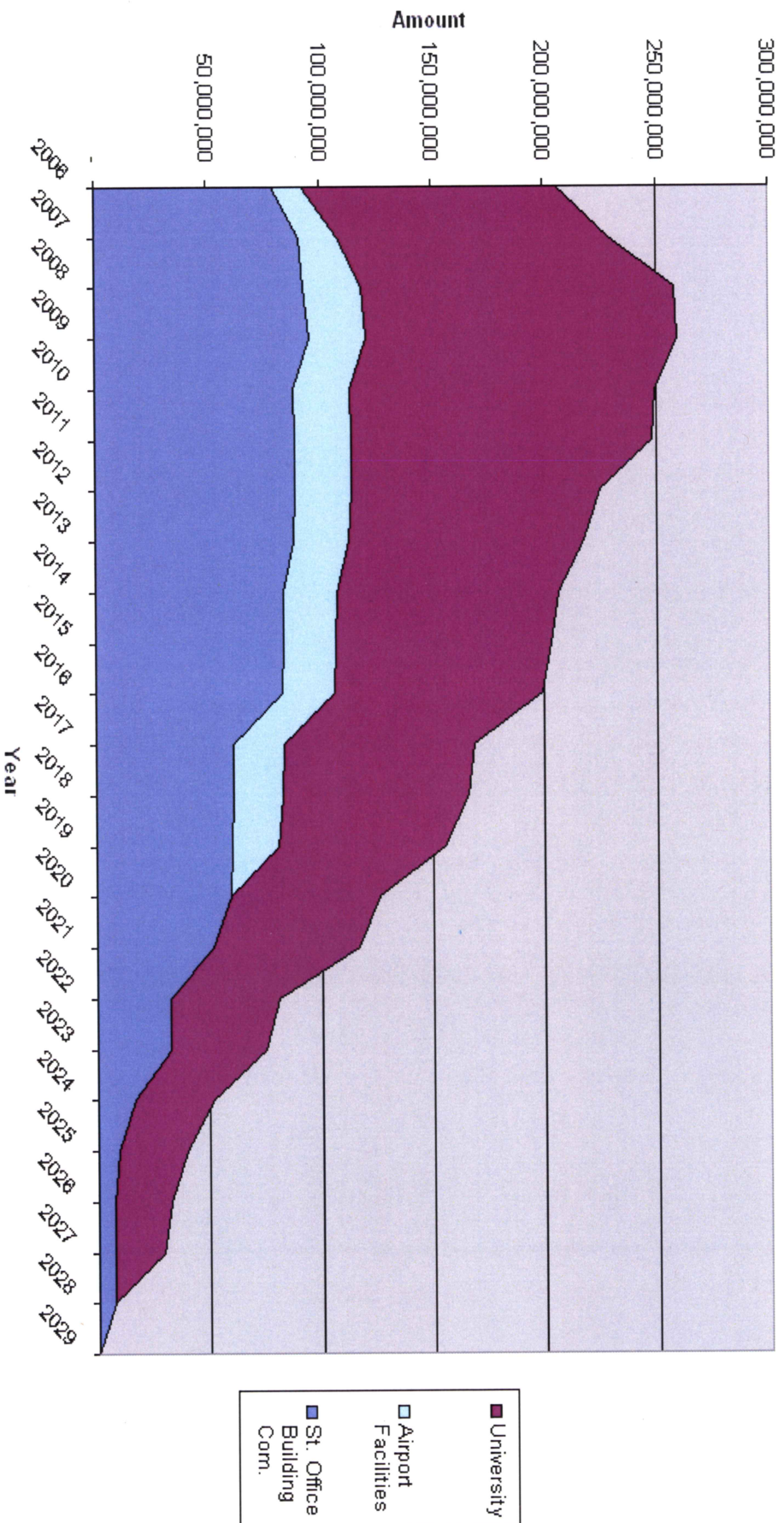
Public University Fee-Replaced Debt





State Appropriation - Backed Debt Service Obligations

General Fund Expenditures for Debt Service





IIB. State Related Debt

- ❑ Quasi agencies that issue debt, but rely neither on the full faith and credit of the State nor on a moral obligation include debt from the following entities:
 - Indiana Health and Educational Facility Finance Authority
 - Indiana Bond Bank (Non- Moral Obligation Projects)
 - State Revolving Fund
 - Indiana Secondary Market for Educational Loans
 - Indiana Housing and Community Development Authority
 - Non-fee Replacement Public University Debt
 - State Port Commission
 - State Fair Commission



State Related Debt

Indiana Health and Educational Facility Finance Authority

- ❑ The Indiana Health and Educational Facility Financing Authority (IHEFFA) is the resulting authority from the merger of the Indiana Health Facility Finance Authority and the Indiana Educational Facilities Authority.
- ❑ IHEFFA assists county and nonprofit hospitals, long-term health care providers, and private institutions of higher education in financing capital projects.

Program	Debt Outstanding
Health Care	\$6,124,986,089
Private College/University	\$586,503,211
Total	\$6,711,489,300



State Related Debt

Indiana Bond Bank Non- Moral Obligation Debt

- ❑ As previously stated, the Indiana Bond Bank (IBB) is organized to provide assistance to local government in funding special projects through the use of bonds including:
 - School Pension Funding
 - Tax Anticipation Warrants
 - Common School Fund
 - Essential Use Equipment
- ❑ In addition to Special Program debt that may form a Moral Obligation with the State of Indiana, IBB issues other non- Moral Obligation bonds to aid municipalities and subdivisions in financing local projects.
- ❑ These bonds are repaid solely by municipalities and locals, and there is no State backstop.

Project	Debt Outstanding
Taxable School Severance Bond Program	\$1,036,770,000
Advance Funding Program	\$435,835,000
Common School Fund	\$182,275,000
HELP Program	\$40,706,070
Not-For-Profit Water Program	\$26,136,299
Special Program Non-Moral Obligation	\$24,610,000
Total	\$1,746,332,369



State Related Debt

State Revolving Fund Loan Program [now IFA]

- ❑ The State Revolving Fund (SRF) is a program set up to assist local municipalities in financing drinking water and waste water infrastructure projects.
- ❑ Currently EPA grants are leveraged through bond issuances to provide below market financing to municipalities (at a savings of approx. \$56 million to local governments in FY 2006).
- ❑ Currently, the SRF portfolio is 100% fixed rate.

Project	Debt Outstanding
Wastewater Fund	\$1,355,899,643
Drinking Water Fund	\$226,865,357
Total SRF Debt Outstanding	\$1,582,765,000



State Related Debt

Indiana Secondary Market for Educational Loans

- ❑ The Indiana Secondary Market for Educational Loans (ISM) is a not-for-profit institution that operates in the higher education loan secondary market.
- ❑ ISM's goal is to improve opportunities for students and families to obtain a post-secondary education.

Project	Debt Outstanding
Outstanding Prior Issues	\$877,850,000
New 2006 Issue	\$500,000,000
Short-Term Debt	\$196,850,000
Total	\$1,574,700,000

State Related Debt



Indiana Housing and Community Development Authority (IHCD)

- ☐ The Indiana Housing and Community Development Authority (IHCD) was formerly known as the Indiana Housing Finance Authority.
- ☐ IHCD finances homeownership programs through the issuance of Mortgage Revenue Bonds.
- ☐ IHCD affords below- market interest rate loans to low and moderate income first- time homebuyers via a network of lenders throughout the State of Indiana.

Program	Debt Outstanding
Single Family	\$1,206,925,000
Total	\$1,206,925,000



State Related Debt

Non-Fee Replacement Public University Debt

- ❑ Non-fee replacement bonds constitutes debt issued by universities for which they are solely responsible for paying debt service through student fees.
- ❑ Non-fee replacement bonds must be approved by the Director of Office of Management and Budget, but are not an obligation of the State.

Colleges and Universities	Debt Outstanding
Purdue University	\$292,646,126
Indiana University	\$42,324,296
Indiana State University	\$ 16,253,243
University of Southern Indiana	\$41,675,000
Ball State University	\$43,680,028
Vincennes University	\$15,515,000
Ivy Tech College	\$0
Total	\$452,093,693



State Related Debt

Indiana State Port Commission

- ❑ The Indiana State Port Commission provides funds for ports and economic development initiatives in the State.
- ❑ Conduit Debt Obligation Revenue Bonds are special obligations of the Commission payable by a private-sector entity.

Project	Debt Outstanding
Conduit Debt Obligation Revenue Bonds	\$37,960,000
Direct Commission Obligations	\$36,380
Total	\$37,996,380

State Related Debt Indiana State Fair Commission



- ☐ The Indiana State Fair Commission provides funds for the operation and maintenance of State fairgrounds.
- ☐ State Fair Commission bonds are payable solely from, and secured by a pledge of, net Fairground revenues after payment of expenses.

Project	Debt Outstanding
Outstanding Issues	\$18,835,000
Total	\$18,835,000